

11 | Financial Analysis

A financial analysis of the City of Durham's existing parking revenues and expenses was conducted for the existing parking system. Based on historical financial data provided by the City, assumptions developed through conversations with City staff, and the impact of recommendations presented in this document, projections of revenue and expenses were performed for the next 10 years (see Appendix C); however, 2-, 3-, 5-, and 10-year projections are provided in this section. One recommendation in this study is to redefine the Parking Enterprise Fund with a goal of aligning all parking related items into the Fund and for the Fund to be self-funded by year 2022/2023. This financial analysis provides the qualitative breakdown of the Parking Enterprise Fund to meet that ultimate goal. The following sections document this analysis and provide the results of the projection exercise.

Review of Past Expense and Revenue

Historically, the City of Durham has allocated parking related revenues and expenses to different departments, such as the Department of Transportation and General Services. The summary of past revenues and expenses presented in this section aggregate these values as if they were in one central Parking Fund and are used as the baseline for projecting finances for the recommended Parking Enterprise Fund.

Past Expenses

Actual expense data for the previous three fiscal years (2010/2011, 2011/2012, and 2012/2013) and budgets for the current fiscal year (2013/2014) were provided by the City. This information was provided in three main categories – off-street operating expenses, off-street special event labor, on-street operating expenses, and debt service.

Off-street operating expenses and indirect costs, currently assigned to the Department of Transportation, for City-owned facilities reflect contract amounts that are paid to Lanier Parking Solutions to provide management, operations, and enforcement services to City-owned surface lots, as well as the four main parking garages within the Downtown Loop – Durham Centre, Chapel Hill Street, Church Street, and Corcoran Street. Operating expenses for the North Deck were provided as a separate line item, as the garage is leased to and managed by Blackwell Street Management Company, whereas the other City-owned facilities are managed by Lanier Parking Solutions.

Special event labor, currently assigned to the Department of Transportation, reflects additional costs assumed by Lanier Parking Services for operating off-street facilities outside of typical operating hours. The values categorized as special event labor capture those efforts three parking garages within the Downtown Loop – Durham Centre, Church Street, and Corcoran Street. As part of the contractual agreement between the City and Blackwell Street Management Group, the City is not responsible for additional costs associated with special event labor at the North Deck; however, the City does get a share of the revenue generated, which is captured in the following section.

On-street operating expenses, currently assigned to the Department of Transportation, reflect the amounts that are paid to Lanier Parking Solutions to provide management, operations, and enforcement services for on-street parking including areas within the Downtown study area, as well as residential areas surrounding North Carolina Central University and Duke University.

Parking garage maintenance costs are also provided for 2012/2013, as well as the anticipated budget amount for 2013/2014 for maintenance/improvements projects to parking garages currently underway.

Debt service expenses, currently assigned to the City General Fund, are recurring payments as a result of the original construction of the North Deck, as well as for other general obligation parking debt service, which includes renovations to existing garages.

Refer to Table 11.1 for a summary of past overall parking expenses.

Table 11.1 – Past Expense

	Historical ¹			Budget ²
	2010/2011	2011/2012	2012/2013	2013/2014
Off-Street Operating Expenses	\$1,542,162	\$1,581,807	\$2,537,091	\$2,399,000
Operating Expenses	\$1,127,619	\$1,184,695	\$1,331,361	\$1,249,000
Indirect Cost	\$16,750	\$16,750	\$453,881	\$454,000
North Deck Operating Expenses	\$307,613	\$316,800	\$326,304	\$336,000
Special Event Labor	\$90,180	\$63,562	\$57,408	\$59,000
Parking Study	-	-	\$227,830	\$2,000
Parking Garage Equipment/Maintenance Cost	-	-	\$140,307	\$299,000
On-Street Operating Expenses	\$309,040	\$318,037	\$337,965	\$329,000
Operating Expenses	\$309,040	\$318,037	\$337,965	\$329,000
Off-Street Debt Service	\$3,257,593	\$2,203,173	\$2,060,299	\$1,999,000
North Deck Debt Service	\$1,280,093	\$1,243,173	\$1,120,299	\$1,077,000
Other General Obligation Parking Debt Service	\$980,000	\$960,000	\$940,000	\$922,000
Old Debt Service – Last Payment	\$997,500	-	-	-
Total Past Expense	\$5,108,795	\$4,103,017	\$4,935,355	\$4,727,000

¹ Historical finances provided by the City

² Budget finances are projections provided by the City, rounded to the nearest \$1,000

Past Revenues

Actual revenue data for the previous three fiscal years (2010/2011, 2011/2012, and 2012/2013) and budgets for the current fiscal year (2013/2014) were provided by the City. This information was provided as Daily Cash Receipts in the following categories:

- Monthly, hourly, and event revenue for each garage (Durham Centre, Chapel Hill Street, Church Street, Corcoran Street, and North Deck)
- Monthly and hourly revenue for the aggregate of City-owned surface lots
- Fines and citations for on-street enforcement

Each category represents the revenue generated from users within that category and is currently assigned to the Department of Transportation. A description of monthly, hourly, and event policies and rates, as well as enforcement policies and fines, are provided in Chapter 6.

In addition, contributions from the debt fund, investment and rental income, and appropriations to fund the remaining balance are included as revenue to the fund as well.

Refer to Table 11.2 for a summary of past overall parking revenues.

Table 11.2 – Past Revenue

	Historical ¹			Budget ²
	2010/2011	2011/2012	2012/2013	2013/2014
Durham Centre Garage Revenue	\$268,254	\$324,429	\$340,134	\$380,000
Monthly Revenue	\$177,788	\$197,091	\$189,699	\$229,000
Hourly Revenue	\$49,341	\$76,599	\$74,281	\$62,000
Event Revenue	\$41,125	\$50,739	\$76,154	\$89,000
Corcoran Street Garage Revenue	\$404,545	\$436,189	\$432,434	\$493,000
Monthly Revenue	\$337,857	\$361,893	\$347,687	\$413,000
Hourly Revenue	\$52,575	\$53,567	\$64,120	\$55,000
Event Revenue	\$14,113	\$20,729	\$20,627	\$25,000
Chapel Hill Street Garage Revenue	\$280,108	\$264,119	\$284,238	\$323,000
Monthly Revenue	\$212,772	\$190,259	\$212,981	\$249,000
Hourly Revenue	\$67,336	\$73,860	\$71,257	\$74,000
Event Revenue	-	-	-	-
Church Street Garage Revenue	\$339,647	\$327,387	\$266,949	\$229,000
Monthly Revenue	\$162,948	\$137,527	\$126,168	\$137,000
Hourly Revenue	\$173,096	\$181,366	\$129,736	\$78,000
Event Revenue	\$3,603	\$8,494	\$11,045	\$14,000
North Deck Revenue	\$709,102	\$875,176	\$764,682	\$802,000
Monthly Revenue	\$581,445	\$751,440	\$702,300	\$728,000
Hourly Revenue	-	-	-	-
Event Revenue	\$127,657	\$123,736	\$62,382	\$74,000

Table 11.2 – Past Revenue (continued)

	Historical ¹			Budget ²
	2010/2011	2011/2012	2012/2013	2013/2014
Off-Street Surface Lot Revenue	\$410,648	\$389,032	\$288,807	\$206,000
Monthly Revenue	\$174,648	\$151,956	\$146,228	\$166,000
Hourly Revenue (Lot 8)	\$236,000	\$237,076	\$142,579	\$40,000
Fines and Citations	\$367,669	\$300,305	\$253,705	\$250,000
Investment and Rental Income	\$3,504	\$1,803	\$1,292	\$2,000
Total Past Revenue	\$2,783,477	\$2,918,440	\$2,632,240	\$2,685,000

¹ Historical finances provided by the City

² Budget finances are projections provided by the City, rounded to the nearest \$1,000

Past Net Surplus / Deficit

The numerical difference between past revenue and past expense represents the net surplus / deficit of the overall Parking System Fund. Based on Table 11.3, it is evident that parking related activities in the City have been operating at a deficit over the past few years with the expectation of a similar result in the current year.

Table 11.3 – Past Net Surplus / Deficit

	Historical ¹			Budget ²
	2010/2011	2011/2012	2012/2013	2013/2014
Past Expense	\$5,108,795	\$4,103,017	\$4,935,355	\$4,727,000
Past Revenue	\$2,783,477	\$2,918,440	\$2,632,240	\$2,685,000
Past Net Surplus / Deficit	\$(2,325,318)	\$(1,184,577)	\$(2,303,115)	\$(2,041,390)

¹ Historical finances provided by the City

² Budget finances are projections provided by the City, rounded to the nearest \$1,000

Projection of Future Expenses

The next step in the financial analysis was to project the future expenses for the parking system including those items discussed as past expenses, and recommendations outlined within this document. The recommendations generated were developed with a goal of meeting the Guiding Principles set forth at the onset of the project, as well as creating a self-funded Parking Enterprise Fund within the 10-year planning horizon. Assumptions made regarding expenses are a result of knowledge and understanding of similar systems in other locations, as well as collaboration with City staff.

Operating Expenses and Existing Debt Service Obligations

The City of Durham tracks operating expenses into two main categories – off-street and on-street. For off-street expenses, the City distinguishes between typical operating expenses paid to Lanier Parking Services to operate the parking system and staffing for special events.

Similar to past expenses, off-street operating expenses for the North Deck are considered separately, as this facility is operated and managed by Blackwell Street Management Company. Projected operating expenses for North Deck were provided by the City, as projections specific to this facility are monitored and reported by Blackwell Street Management Company. Off-street operating expenses for all other City-owned facilities were estimated to increase at an annual rate of 2%. Similarly, special event labor and on-street operating expenses were also assumed to increase at an annual rate of 2%.

Many recommendations within this study result in the need to increase parking operation efforts beyond the current level including implementation of a paid on-street parking program, dedicated Parking Manager, improved enforcement, additional enforcement and/or management staff, strategic planning studies and other efforts. For this study, it was assumed that this level of additional operating expense would represent an increase over current operating expenses for the off-street parking systems and is captured in the 2013/2014 off-street operating expense budget values. In addition, an increase in security presence at City owned garages is recommended. Additional costs for this recommendation (including \$200,000 beginning in 2014/2015 with a 2% annual increase) are included in the off-street operating expense to account for additional security patrol staff and ongoing operations and maintenance of security systems. The increase in operating expenses for the on-street program are captured in the “Paid On-Street Parking” section of this financial analysis such that all costs associated with that program are considered in aggregate. The resulting additional operating expense was then escalated 2% annually. Additional operating expenses are included in the projections shown in Table 11.4.

The City currently holds debt service related to specific parking projects (North Deck construction and renovation of Durham Centre, Corcoran Street, and Church Street garages). The debt service obligation for these projects is paid out of the General Fund and is scheduled to be paid at decreasing rates over the 10-year planning horizon.

Refer to Table 11.4 for a summary of projected operating expenses and existing debt service obligations.

Table 11.4 – Projected Operating Expenses and Existing Debt Service Obligations

	Budget ¹	Projections			
	2013/2014	2014/2015	2015/2016	2017/2018	2022/2023
Off-Street Operating Expenses	\$2,100,000	\$2,334,000	\$2,375,000	\$2,459,000	\$2,689,000
Operating Expenses ²	\$1,249,000	\$1,274,000	\$1,299,000	\$1,352,000	\$1,492,000
Indirect Cost	\$454,000	\$454,000	\$454,000	\$454,000	\$454,000
North Deck Operating Expenses ³	\$336,000	\$346,000	\$357,000	\$378,000	\$439,000
Special Event Labor ⁴	\$59,000	\$60,000	\$61,000	\$63,000	\$70,000
Parking Study	\$2,000	-	-	-	-
Increased Security	-	\$200,000	\$204,000	\$212,000	\$234,000
On-Street Operating Expense⁵	\$329,000	\$335,000	\$342,000	\$356,000	\$393,000
Off-Street Debt Service	\$1,999,000	\$1,929,000	\$1,867,000	\$1,736,000	\$1,451,000
North Deck Debt Service ⁶	\$1,077,000	\$1,030,000	\$988,000	\$897,000	\$666,000
Other General Obligation Debt Service ⁷	\$922,000	\$899,000	\$879,000	\$839,000	\$785,000
Total	\$4,428,000	\$4,598,000	\$4,584,000	\$4,551,000	\$4,533,000

¹ Budget finances are projections provided by the City, rounded to the nearest \$1,000

² Operating Expenses assume 2% annual increase

³ North Deck Operating Expenses are projections provided by the City, based on the agreement with Blackwell Street Management Company, rounded to the nearest \$1,000

⁴ Special Event Labor assumes 2% annual increase

⁵ On-Street Operating Expense assumes 2% annual increase

⁶ North Deck Debt Service is projections provided by the City, rounded to the nearest \$1,000
North Deck Debt Service projected to expire in FY2023

⁷ Other Debt Service are projections provided by the City, rounded to the nearest \$1,000
Other Debt Service projected to expire in FY2031

Off-Street Maintenance

Currently, structural assessments and facility rehabilitation is managed through the City's General Services Department. As such, expenses associated with these endeavors are not paid for using parking funds. However, considering the recommendation to develop a self-funded Parking Enterprise Fund, costs associated with assessing and maintaining City-owned facilities must be considered. To maintain the safety of parking facilities, particularly garages, and to help extend their life expectancy, structural assessments should be performed every 3 – 5 years with rehabilitation projects every 5 – 10 years as needed depending on the age and condition of each facility.

The City is currently in the process of assessing and repairing their parking garages, with the Durham Centre and Corcoran Street garages being renovated within the past several years, the Chapel Hill Street garage currently in

the process of renovation, and the Church Street garage scheduled for renovation. The estimated cost of the Church Street garage renovation is \$1,250,000. This cost is accounted for within the financial analysis as a debt service beginning in 2015/2016. The annual cost with a 10 year payback period and 2% interest rate is approximately \$140,000 per year.

The North garage should undergo assessment and renovation, if needed, within the near future. Maintenance activities for parking garages can be classified into the following three categories: annual routine maintenance, preventative maintenance and repair and restoration. These classifications are described as follows:

- Annual routine maintenance. These are the ongoing activities associated with owning a garage, or any building or structure. This includes maintaining exterior landscaping, garbage removal, maintenance contracts on elevators, trash-pick, and other activities. These maintenance activities are independent of type of garage (cast-in-place or precast) and the age of the garage. For planning purposes, a budget of \$50 per space per year is recommended.
- Preventative maintenance. These activities are intended to help extend the life of the structure and include activities such as expansion joint replacement, repair of leaks, traffic coatings, and other activities. These maintenance activities are independent of garage type and age. These activities typically are recommended as a result of a structural assessment, and for budgeting purposes, occur approximately every three years. For planning purposes, a budget of \$75 per parking space per year is recommended. This budget will not be spent every year, but should be incorporated into the operating expense projections of a parking system in order to set parking rates and fees at an appropriate level.
- Repair and restoration. These maintenance activities represent major activities to repair or replace major components of the garage. This includes repairs to the concrete structure, replacement elevators, replacement of lighting fixtures, and other activities. The costs of these maintenance activities depend significantly on the age and construction type of the garage (For example, a pre-cast garage requires sealant replacement every five to seven years). Varying repair and restoration costs ranging from \$75 - \$175 per space per year were developed for each of the Durham parking garages. These repair and restoration costs were developed based on the age of the garage, a review of recent repairs and a general knowledge of the structures. These budgetary numbers will not be spent every year, but should be incorporated into projections of a parking system in order to set parking rates and fees at an appropriate level.

An estimate of the annual maintenance expense for each garage was developed by multiplying the per space budgetary numbers for each category described by the number of parking spaces in each garage. A 2% annual inflation rate was used to project expenses in future years. It was assumed that the parking garage maintenance expenses would align with the introduction of paid on-street parking, such that a revenue source is introduced concurrently with this expense.

Table 11.5 projects the estimated future maintenance expenses for each of the categories above for each garage in the prescribed projection years. Refer to Appendix C for a detailed breakdown of estimated future garage maintenance expenses for each year in the 10-year projection window.

Table 11.5 – Projected Garage Maintenance Expense

	Budget	Projections			
	2013/2014	2014/2015	2015/2016	2017/2018	2022/2023
Parking Garage Maintenance	\$299,000¹	-	\$962,000	\$811,000	\$201,000
Durham Centre	-	-	\$205,000	\$39,000	\$43,000
Routine Maintenance	-	-	\$37,000	\$39,000	\$43,000
Preventative Maintenance	-	-	\$168,000	-	-
Repair and Restoration	-	-	-	-	-
Corcoran Street	-	-	\$159,000	\$660,000	\$33,000
Routine Maintenance	-	-	\$29,000	\$30,000	\$33,000
Preventative Maintenance	-	-	\$130,000	-	-
Repair and Restoration	-	-	-	\$630,000	-
Chapel Hill Street	-	-	\$103,000	\$19,000	\$22,000
Routine Maintenance	-	-	\$19,000	\$19,000	\$22,000
Preventative Maintenance	-	-	\$84,000	-	-
Repair and Restoration	-	-	-	-	-
Church Street	-	-	\$117,000	\$22,000	\$24,000
Routine Maintenance	-	-	\$21,000	\$22,000	\$24,000
Preventative Maintenance	-	-	\$96,000	-	-
Repair and Restoration	-	-	-	-	-
North Deck	-	-	\$378,000	\$71,000	\$79,000
Routine Maintenance	-	-	\$69,000	\$71,000	\$79,000
Preventative Maintenance	-	-	\$309,000	-	-
Repair and Restoration	-	-	-	-	-
Future Debt Service	-	-	\$139,000	\$139,000	\$139,000
Church Street Repair (Phase 2) ²	-	-	\$139,000	\$139,000	\$139,000
Total	\$299,000	-	\$1,101,000	\$950,000	\$340,000

¹ Past parking garage maintenance expense from previous section

² Church Street Repair assumes \$1,250,000 of repair work to be performed, financed over 10 years at a 2% interest rate

A structural assessment should be performed every 5 – 10 years on each garage that identifies the recommended repair and restoration activities. The City of Durham, Department of General Services presently has a project underway to assess all City structures and develop a long range plan to repair and restore these facilities, which include parking garages. That study will include a more detailed review and analysis of the garages and those expense projections should be used to refine the estimated future maintenance expenses.

In addition to maintenance of off-street garages, there is a need for the City to maintain their off-street surface lots as well. Typically, the cost to maintain and repair surface lots is less than that of structured parking. For this exercise, it was assumed that maintenance and repair of the City-owned surface lots would be spread over a five year window; ie, one-fifth of the City-owned lots would be seal coated and restriped every five years. A budget amount of \$100 per space was utilized to estimate the total cost per year to seal coat and restripe one-fifth of the surface lot spaces. This was then escalated by 2% annually. Table 11.6 shows the estimated costs for maintaining and repairing off-street spaces. Similarly to garage maintenance, this expense is projected to begin in 2015/2016.

Table 11.6 – Projected Surface Lot Maintenance Expense

	Budget	Projections			
	2013/2014	2014/2015	2015/2016	2017/2018	2022/2023
Surface Lot Maintenance	-	-	\$15,000	\$16,000	\$18,000

Potential Future Garage

In addition to operating expenses for existing parking facilities, projected expenses for a potential future parking garage also were estimated. This projection assumes a 500 space garage that would open for use beginning in 2016/2017. The assumed operating expense associated with this potential future garage was based on the average total operating expense cost per space for existing off-street facilities (\$350/space/year), and then escalated at an annual rate of 2%. In addition to the on-going operating costs, maintenance costs for the facility must also be considered. Since this facility is new construction the maintenance and improvement costs, including equipment, is estimated to be \$100 per space per year beginning in 2016/2017, with a 2% annual increase thereafter. For the purposes of this projection debt service payments were assumed based on a 500 space garage constructed for \$20,000 per space (accounting for hard and soft costs), equating to a total construction cost estimate of \$10,000,000. With an assumed 20 year payback period and a 5% interest rate, the annual debt service commitment is estimated to be approximately \$800,000 per year. The projected annual expense for a potential new City-owned garage is shown in Table 11.7.

Table 11.7 – Potential Future Garage Expense

	Budget	Projections			
	2013/2014	2014/2015	2015/2016	2017/2018	2022/2023
Potential Future Garage Expense	-	-	-	\$1,032,000	\$1,055,000
Operations Expense ¹	-	-	-	\$179,000	\$197,000
Annual Maintenance Expense ²	-	-	-	\$51,000	\$56,000
Debt Service ³	-	-	-	\$802,000	\$802,000

¹ Operations Expense assumes \$350 per space for annual operating expenses, increased 2% annually.

Operations expense per space based on operations expense of existing City-owned garage facilities

² Annual Maintenance Expense assumes \$100 per parking spaces per year for facility maintenance and repair

³ Debt Service assumes a \$10,000,000 project cost, financed over 20 years at a 5% interest rate.

Paid On-Street Parking

Implementation of a paid on-street parking program brings additional revenue to a parking system, but also comes with additional operating expenses, primarily related to administration of revenues, maintenance of equipment, and increased enforcement activity. The following table outlines projected annual operating expenses for the paid on-street parking program, which is anticipated to be operational in January 2015. Installation of the paid on-street parking equipment is estimated to be \$10,000 per pay station, financed over five years at a 2% interest rate beginning in 2014/2015. Following installation, it is assumed that each pay station will require approximately \$400 of operating and maintenance expense per year, based on similar programs in other cities. Considering the installed equipment would be under warranty for the first year, it is assumed that this expense will start in 2015/2016 and increase by 2% annually. Finally, the implementation of a paid on-street parking program results in increased operating expenses as enforcement and management measures specific to this program will likely require additional staff. It was estimated that existing on-street operating expense would increase by 25% to account for the impact of a paid on-street parking program and would begin during the installation year 2014/2015. Table 11.8 outlines the estimated expenses associated with the paid on-street program.

Table 11.8 – Paid On-Street Parking Expense

	Budget	Projections			
	2013/2014	2014/2015	2015/2016	2017/2018	2022/2023
Paid On-Street Parking Expense	-	\$338,000	\$388,000	\$394,000	\$153,000
Estimated Debt Service Payment ¹	-	\$255,000	\$255,000	\$255,000	-
Annual Maintenance Expense ²	-		\$48,000	\$50,000	\$55,000
Additional Operating Expense ³	-	\$84,000	\$86,000	\$89,000	\$98,000

¹ Estimated Debt Service Payment assumes 120 pay stations at \$10,000 per pay station, financed over 5 year at a 2% interest rate.

² Annual Maintenance Expense assumes \$400 per pay station beginning in the installation year, increased by 2% annually

³ Additional Operating Expense assumes a 25% increase in existing on-street operating expense, increased by 2% annually

Total Projected Expense

Table 11.9 summarizes the projected expenses associated with the assumptions previously described related to on-street and off-street operating expenses, parking garage maintenance, as well as potential future parking garage and paid on-street parking program impacts.

Table 11.9 – Projected Future Expenses

	Budget	Projections			
	2013/2014	2014/2015	2015/2016	2017/2018	2022/2023
Off-Street Operating Expenses	\$2,399,000	\$2,334,000	\$3,352,000	\$3,286,000	\$2,908,000
Operating Expenses	\$1,249,000	\$1,274,000	\$1,299,000	\$1,352,000	\$1,492,000
Indirect Cost	\$454,000	\$454,000	\$454,000	\$454,000	\$454,000
North Deck Operating Expenses	\$336,000	\$346,000	\$357,000	\$378,000	\$439,000
Special Event Labor	\$59,000	\$60,000	\$61,000	\$63,000	\$70,000
Parking Study	\$2,000	-	-	-	-
Increased Security	-	\$200,000	\$204,000	\$212,000	\$234,000
Parking Garage Maintenance Cost	\$299,000	-	\$962,000	\$811,000	\$201,000
Surface Lot Maintenance Cost	-	-	\$15,000	\$16,000	\$18,000
On-Street Operating Expense¹	\$329,000	\$335,000	\$342,000	\$356,000	\$393,000
Off-Street Debt Service	\$1,999,000	\$1,929,000	\$2,006,000	\$1,875,000	\$1,590,000
North Deck Debt Service	\$1,077,000	\$1,030,000	\$988,000	\$897,000	\$666,000
Other General Obligation Debt Service	\$922,000	\$899,000	\$879,000	\$839,000	\$785,000
Church Street Repair (Phase 2)	-	-	\$139,000	\$139,000	\$139,000
Potential Future Garage Expense	-	-	-	\$1,032,000	\$1,055,000
Operations Expense	-	-	-	\$179,000	\$197,000
Annual Maintenance Cost	-	-	-	\$51,000	\$56,000
Debt Service	-	-	-	\$802,000	\$802,000
Paid On-Street Parking Expense	-	\$339,000	\$389,000	\$394,000	\$153,000
Estimated Debt Service Payment	-	\$255,000	\$255,000	\$255,000	-
Annual Maintenance Expense	-	-	\$48,000	\$50,000	\$55,000
Additional Operating Expense	-	\$84,000	\$86,000	\$89,000	\$98,000
Total	\$4,727,000	\$4,937,000	\$6,089,000	\$6,943,000	\$6,099,000

¹ On-Street Operating Expense captures current Operator enforcement costs

Projection of Future Revenues

Future revenues for the parking system were projected including off-street garage and surface lot parking, parking fines and citations, potential future garage and paid on-street parking, as well as other recommendations outlined within this document. Future revenue projections and recommendations were made with the goal of providing a balanced Parking Enterprise Fund within the next 10 years while maintaining and implementing fundamentally strong parking practices. Assumptions made regarding revenues are a result of knowledge and understanding of similar systems in other locations, as well as collaboration with City staff.

Existing Parking Garages

Parking garage revenue is derived from the following three sources:

- Monthly Revenue – This is the total revenue collected from users who lease spaces in the parking garages on a monthly basis.
- Transient Revenue – This is the total revenue collected from users of the garages that pay on an hourly or daily maximum basis.
- Special Event Revenue – This is the total revenue collected from those that use the garage for special event parking. These events are typically held at the Convention Center, Carolina Theater, Durham Performing Arts Center, and/or Durham Bulls Athletic Park. Historically, Lanier Parking Solutions operated all special events for the City; however, as of April 2012 Blackwell Street Management Company began performing these services for the North Deck and the City will receive 35% of all event revenues at the North Deck.

Based on recommendations documented in this report, monthly permit rates are assumed to be increased by \$10.00 per month beginning in 2013/2014 to better align with peer cities and to begin the process toward creating a balanced Parking Enterprise Fund. The City currently has contractual obligations with the American Tobacco Campus ownership that dictate maximum monthly permit rates that can be charged to users of the North Deck. The recommended \$10.00 per month increase exceeds these maximums and as a result, the maximum rates outlined in the agreement between the City and American Tobacco was used. Also within the North Deck, the City has an agreement with Triangle Transit that provides them access to 150 spaces at a current rate of \$20.30 per month. The monthly rate for these spaces is contractually permitted to increase annually at a rate that is equal to the Consumer Price Index (CPI). The CPI increase for the 150 Triangle Transit spaces is assumed to be 2% annually and are projected in future revenues shown in Table 11.11.

As a result of increased development within the study area, it was assumed that monthly and hourly parking revenues should increase in a similar trend. Utilizing the Park+ parking demand model, existing occupancy levels in each City-owned parking facility were compared to projected occupancy levels in 2022/2023, assuming all development projects presented were developed. This comparison projects the existing garages (with the exception of Church Street) will be at or near capacity in 2022/2023. However, since the schedule of the development projects and their on-site parking supply is unknown, for revenue estimation purposes it was assumed that 50% of the projected future parking demand associated with development projects would be satisfied by the existing garages. The Park+ occupancy results, as well as the future occupancy and revenue increase assumptions as a result of the projected development in the study area are shown in Table 11.10.

Table 11.10 – Projected Revenue Increase from Downtown Development

Garage	Existing Occupancy	Projected 2022/2023 Occupancy	10-year Projected Increase in Parking Demand	Revised 2022/2023 Occupancy	Projected 10-year Revenue Increase	Equivalent Annual Revenue Increase
Durham Centre	29%	88%	203%	59%	102%	7.3%
Corcoran Street	65%	95%	46%	80%	23%	2.1% ¹
Chapel Hill Street	70%	95%	36%	83%	18%	1.7%
Church Street	21%	41%	95%	31%	48%	4.1%

¹ Represents hourly revenue increase only. Monthly revenue increase is front-loaded as a result of Sun Trust building hotel development commitment. Resulting monthly revenue increase is 1.5% annually.

Currently the issued monthly permits within the Corcoran Street garage are estimated to increase by 50 in 2013/2014 as a result of the agreements between the City and the Sun Trust building hotel development. Considering this increase in monthly permits in the Corcoran Street garage, the projected equivalent annual revenue increase shown in Table 11.10 of 2.1% was applied only to hourly revenue. The monthly revenue was reduced to an annual percentage increase of 1.5%, as the Sun Trust development impacts “front load” projected development increases in this facility.

Special event rates are currently \$2.00 per vehicle in City-owned garages, with the exception of the North Deck where special event parking is \$4.00 per vehicle. Beginning in 2013/2014, and included in the budget year financials, special event rates are assumed to increase by \$1.00 at each facility bringing rates to \$3.00 and \$5.00 per vehicle.

In addition to this monthly permit and special event rate increases, it was assumed that the overall hourly, monthly, and special event revenue generated from parking in future years would increase by 20% in 2017/2018 over the 2012/2013 value with an additional 20% in 2022/2023. These increases assume parking rates would be increased at approximately three to five year intervals; however, the exact increase and timing of implementation would need to reflect then current conditions. As previously mentioned, the City currently has an agreement with the American Tobacco Campus ownership that dictates maximum monthly permit rates that can be charged to users of the North Deck. The rates outlined in this agreement were used in the financial analysis, therefore the 20% revenue increases in 2017/2018 and 2022/2023 were not applied to the North Deck.

The Durham County Courthouse has recently relocated its operation from the Judicial Building adjacent to Lot 8 to the newly completed Justice Center south of the Downtown Loop. As a result, the City has begun to see an impact to revenue collected in the Church Street garage. It was assumed that hourly revenue generated from the Church Street garage would decrease by 50% during the time in which the Judicial Building is renovated and reopened for use in 2015/2016. At that time, hourly revenue in the Church Street garage is assumed to increase to the levels which were seen in 2012/2013.

Refer to Table 11.11 for the estimated future revenue associated with existing parking garages.

Table 11.11 – Projected Garage Revenue

	Budget	Projections			
	2013/2014	2014/2015	2015/2016	2017/2018	2022/2023
Durham Centre Revenue	\$380,000	\$402,000	\$424,000	\$571,000	\$919,000
Monthly Revenue ¹	\$229,000	\$246,000	\$264,000	\$365,000	\$622,000
Hourly Revenue ²	\$62,000	\$67,000	\$71,000	\$99,000	\$168,000
Event Revenue ³	\$89,000	\$89,000	\$89,000	\$107,000	\$129,000
Corcoran Street Revenue	\$493,000	\$500,000	\$508,000	\$628,000	\$811,000
Monthly Revenue ¹	\$413,000	\$419,000	\$426,000	\$526,000	\$680,000
Hourly Revenue ²	\$55,000	\$56,000	\$57,000	\$72,000	\$95,000
Event Revenue ³	\$25,000	\$25,000	\$25,000	\$30,000	\$36,000
Chapel Hill Street Revenue	\$323,000	\$329,000	\$335,000	\$415,000	\$542,000
Monthly Revenue ¹	\$249,000	\$254,000	\$258,000	\$320,000	\$418,000
Hourly Revenue ²	\$74,000	\$75,000	\$77,000	\$95,000	\$124,000
Event Revenue ³	-	-	-	-	-
Church Street Revenue	\$229,000	\$237,000	\$331,000	\$430,000	\$626,000
Monthly Revenue ¹	\$137,000	\$142,000	\$148,000	\$193,000	\$283,000
Hourly Revenue ²	\$78,000	\$81,000	\$169,000	\$220,000	\$323,000
Event Revenue ³	\$14,000	\$14,000	\$14,000	\$17,000	\$20,000
North Deck Revenue	\$802,000	\$859,000	\$882,000	\$944,000	\$1,096,000
Monthly Revenue ⁴	\$728,000	\$785,000	\$808,000	\$856,000	\$990,000
Hourly Revenue	-	-	-	-	-
Event Revenue ³	\$74,000	\$74,000	\$74,000	\$88,000	\$106,000
Investment and Rental Income	\$2,000	\$2,000	\$2,000	\$3,000	\$3,000
Total	\$2,229,000	\$2,329,000	\$2,482,000	\$2,991,000	\$3,997,000

Table 11.11 – Projected Garage Revenue (continued – table footnotes)

- ¹ Monthly Revenue assumes a \$10.00 per month increase in permit rate in 2013/2014, then an increase of 20% in 2017/2018 with another 20% increase in 2022/2023. Monthly revenue also increases based on Equivalent Annual Revenue Increase shown in Table 11.9.
- ² Hourly Revenue increased by 20% in 2017/2018, then another 20% in 2022/2023. Hourly revenue also increases based on Equivalent Annual Revenue Increase shown in Table 11.9.
- ³ Event Revenue assumes a \$1.00 per vehicle increase in special event parking rate
- ⁴ North Deck Monthly revenue assumes the maximum permit rates as outlined in the City agreement with American Tobacco Campus ownership for 1,015 permit spaces and an annual permit increase equal to the Consumer Price Index (CPI) (2%) for 150 Triangle Transit permit spaces.

Surface Lots

Similar to existing parking garages, off-street surface lot revenue is assumed to increase as a result of a \$10.00 increase to existing permit rates, as well as an across the board revenue increase of 20% in 2017/2018 with another 20% increase in 2022/2023. The 20% assumed increases in revenue accounts for the recommended rate increase in all City-owned facilities over the next 10 years with the goal of creating a balanced Parking Enterprise Fund and is in addition to the recommended \$10 rate increase to monthly permits, which begins in 2013/2014. Existing facilities that are time restricted and do not collect revenue are not considered to generate revenue in this projection.

The Durham County Courthouse has recently relocated its operation from the Judicial Building adjacent to Lot 8 to the newly completed Justice Center south of the Downtown Loop. As a result, the City has begun to see an impact to revenue collected in Lot 8. It was assumed that revenue generated from Lot 8 would decrease by 50% during the time in which the Judicial Building is renovated and reopened for use in 2015/2016. At that time, revenue in Lot 8 is assumed to increase to the levels in which were seen in 2012/2013.

Refer to Table 11.12 for the estimated future revenue associated with off-street surface lots.

Table 11.12 – Projected Surface Lot Revenue

	Budget	Projections			
	2013/2014	2014/2015	2015/2016	2017/2018	2022/2023
Off-Street Surface Lot Revenue	\$206,000	\$206,000	\$246,000	\$295,000	\$354,000
Monthly Revenue ¹	\$166,000	\$166,000	\$166,000	\$199,000	\$239,000
Hourly Revenue ²	\$40,000	\$40,000	\$80,000	\$96,000	\$115,000

¹ Monthly Revenue assumes a \$10.00 per month increase in permit rate in 2013/2014, then an increase of 20% in 2017/2018 with another 20% increase in 2022/2023

² Hourly Revenue increased by 20% in 2017/2018, then another 20% in 2022/2023

Fines and Citations

The City experienced a near 20% decline in revenue from parking fines and citations in 2011/2012 over 2010/2011. In actuality, the 2010/2011 revenue was abnormally high as a result of a malfunction of citation issuance and uploading of registered owner files from the Department of Motor Vehicles. Due to this malfunction, there were several months late in 2009/2010 where citations were issued, but notification letters never made it to the violators. When the malfunction was repaired, thousands of letters were issued to

violators resulting in a larger than normal influx of revenue in 2010/2011. Nonetheless, a significant portion of revenues generated from the parking system are still borne from this source – \$300,000 in 2011/2012.

For projecting future potential revenue from parking fines and citations, it was assumed that the annual contribution from this line item would remain flat. Relying on an increase in fines and citations to balance a Parking Fund is not an approach that is desirable, as more emphasis should be placed on educating Downtown visitors through the Ambassador program, rather than requiring an increase in citation revenue.

Refer to Table 11.13 for the estimated future revenue associated with fines and citations.

Table 11.13 – Projected Fines and Citations Revenue

	Budget	Projections			
	2013/2014	2014/2015	2015/2016	2017/2018	2022/2023
Fines and Citations	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000

Potential Future Garage

For planning purposes, revenues associated with a potential new City-owned parking garage were estimated and projected to similar horizon years. This exercise assumes a 500 space parking garage that would be open for use beginning in year 2016/2017. The assumed revenue for a potential future garage was equal to the average annual revenue per space for the Durham Centre, Corcoran Street, Chapel Hill Street, and Church Street garages in 2016/2017, which is approximately \$835. Similar to other City-owned facilities, revenues are assumed to increase by 20% in 2017/2018 and another 20% in 2022/2023. These increases assume parking rates would be increased at approximately three to five year intervals; however, the exact increase and timing of implementation would need to reflect then current conditions.

Refer to Table 11.14 for the estimated future revenue associated with a potential future parking garage.

Table 11.14 – Projected Future Parking Garage Revenue

	Budget	Projections			
	2013/2014	2014/2015	2015/2016	2017/2018	2022/2023
Future Parking Garage Revenue¹	-	-	-	\$501,000	\$601,000

¹ Future Parking Garage Revenue assumes the average revenue per parking space for the Church Street, Corcoran Street, Chapel Hill Street, and Durham Centre garages in 2016/2017 with 20% revenue increases in 2017/2018 and 2022/2023

Paid On-Street Parking

Currently, the City of Durham does not charge a fee for use of on-street parking. This study ultimately recommends implementing a paid on-street program to encourage turnover of on-street parking spaces and generate revenue to support the parking system. The concept of a paid on-street parking program was discussed and approved by the PST, as well as a large majority of the stakeholders and public respondents of the online survey. Paid on-street parking is recommended to be implemented in the areas as shown in Figure 12.1 within the Recommendations section of this report beginning in 2014/2015. In general, paid on-street parking is recommended to be implemented within and adjacent to the Downtown Loop, the area surrounding the American Tobacco Campus and the Durham Performing Arts Center, West Village, and the southern portion of the Brightleaf District and represent an estimated 756 parking spaces within the study area.

Also discussed and recommended by the PST are the following characteristics of a paid on-street parking program:

- Hourly rate = \$1.25 / hour
- Hours of operation = 8:00am – 6:00 PM
- No operation during weekends and holidays, similar to the garages

To estimate revenue, it was estimated that each space would generate approximately \$1,000 per year. This was determined by assuming each space would be occupied approximately 33% of the time, 10 hours per day, 5 days per week, and 48 weeks per year, at a rate of \$1.25 per hour. It could be argued that the revenue for on-street parking should take into account enforcement revenue and the net impact to the system, meaning on-street parking revenue equals estimated on-street parking revenue minus on-street enforcement revenue. This concept was not utilized for this study, as enforcement revenues will still remain, even with a paid on-street program, as visitors utilizing paid on-street spaces will receive citations for expired parking, thus resulting in an enforcement revenue stream. It is assumed that with the capital expenditure for the paid on-street system will begin in 2014/2015, with actual system start up anticipated in January 2015. As a result, only one half of a year of revenue from paid on-street parking is assumed in 2014/2015. In addition, to maintain consistency with the other components of the parking system, on-street paid parking revenue is estimated to increase by 20% in 2017/2018 with another 20% increase in 2022/2023. These increases assume parking rates would be increased at approximately three to five year intervals; however, the exact increase and timing of implementation would need to reflect then current conditions.

Refer to Table 11.15 for the estimated future revenue associated with a paid on-street parking program.

Table 11.15 – Projected Paid On-Street Parking Revenue

	Budget	Projections			
	2013/2014	2014/2015	2015/2016	2017/2018	2022/2023
Paid On-Street Parking Revenue¹	-	\$378,000²	\$756,000	\$907,000	\$1,089,000

¹ Paid On-Street Parking Revenue assumes \$1,000 of revenue per space for 756 on-street spaces within the study area. Revenues are increased by 20% in 2017/2018 with another 20% increase in 2022/2023.

² Given the likely time required to implement the paid on-street parking system, only one half of a year of revenue is assumed in 2014/2015.

Total Projected Revenue

Table 11.16 summarizes the projected revenue associated with off-street garage and surface lot parking, parking fines and citations, potential future garage and paid on-street parking, as well as other recommendations outlined within this document.

Table 11.16 – Projected Future Revenues

	Budget	Projections			
	2013/2014	2014/2015	2015/2016	2017/2018	2022/2023
Durham Centre Revenue	\$380,000	\$402,000	\$424,000	\$571,000	\$919,000
Monthly Revenue	\$229,000	\$246,000	\$264,000	\$365,000	\$622,000
Hourly Revenue	\$62,000	\$67,000	\$71,000	\$99,000	\$168,000
Event Revenue	\$89,000	\$89,000	\$89,000	\$107,000	\$129,000
Corcoran Street Revenue	\$493,000	\$500,000	\$508,000	\$628,000	\$811,000
Monthly Revenue	\$413,000	\$419,000	\$426,000	\$526,000	\$680,000
Hourly Revenue	\$55,000	\$56,000	\$57,000	\$72,000	\$95,000
Event Revenue	\$25,000	\$25,000	\$25,000	\$30,000	\$36,000
Chapel Hill Street Revenue	\$323,000	\$329,000	\$335,000	\$415,000	\$542,000
Monthly Revenue	\$249,000	\$254,000	\$258,000	\$320,000	\$418,000
Hourly Revenue	\$74,000	\$75,000	\$77,000	\$95,000	\$124,000
Event Revenue	-	-	-	-	-
Church Street Revenue	\$229,000	\$237,000	\$331,000	\$430,000	\$626,000
Monthly Revenue	\$137,000	\$142,000	\$148,000	\$193,000	\$283,000
Hourly Revenue	\$78,000	\$81,000	\$169,000	\$220,000	\$323,000
Event Revenue	\$14,000	\$14,000	\$14,000	\$17,000	\$20,000
North Deck Revenue	\$802,000	\$859,000	\$882,000	\$944,000	\$1,096,000
Monthly Revenue	\$728,000	\$785,000	\$808,000	\$856,000	\$990,000
Hourly Revenue	-	-	-	-	-
Event Revenue	\$74,000	\$74,000	\$74,000	\$88,000	\$106,000
Investment and Rental Income	\$2,000	\$2,000	\$2,000	\$3,000	\$3,000

Table 11.16 – Projected Future Revenues (continued)

	Budget	Projections			
	2013/2014	2014/2015	2015/2016	2017/2018	2022/2023
Off-Street Surface Lot Revenue	\$206,000	\$206,000	\$246,000	\$295,000	\$354,000
Monthly Revenue	\$166,000	\$166,000	\$166,000	\$199,000	\$239,000
Hourly Revenue	\$40,000	\$40,000	\$80,000	\$96,000	\$115,000
Fines and Citations	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
Future Parking Garage Revenue	-	-	-	\$501,000	\$601,000
Paid On-Street Parking Revenue	-	\$378,000	\$756,000	\$907,000	\$1,089,000
Total	\$2,685,000	\$3,163,000	\$3,734,000	\$4,944,000	\$6,291,000

Summary of Projections

Table 11.17 provides a summary of past and projected expenses and revenues as outlined in this financial analysis. As evidenced in the summary of projections, a Parking Enterprise Fund is estimated to realize a surplus (\$192,000) in the year 2022/2023. The net deficit begins to decrease each year as the revenue from paid on-street parking takes effect, in addition to the two 20% increase in parking revenues shown in years 2017/2018 and 2022/2023; however, implementing appropriate maintenance activities in City-owned facilities negates a portion of the additional annual revenue to the system.

Comprehensive Parking Study

FINANCIAL ANALYSIS

Table 11.17 – Summary of Financial Analysis

	Historical				Budget	Projections				
	2010/2011	2011/2012	2012/2013	2013/2014		2014/2015	2015/2016	2017/2018	2022/2023	
Existing Facilities/Services Expense	\$5,108,795	\$4,103,017	\$4,935,355	\$4,726,000		\$4,598,000	\$5,701,000	\$5,518,000	\$4,891,000	
Off-Street Operating Expense	\$1,542,162	\$1,581,807	\$2,168,954	\$2,097,000		\$2,333,000	\$2,374,000	\$2,459,000	\$2,689,000	
Off-Street Debt Service	\$3,257,593	\$2,203,173	\$2,060,299	\$1,999,000		\$1,929,000	\$2,007,000	\$1,875,000	\$1,591,000	
Off-Street Maintenance	-	-	\$140,307	\$299,000		-	\$977,000	\$827,000	\$218,000	
On-Street Operating Expense	\$309,040	\$318,037	\$337,965	\$329,000		\$335,000	\$342,000	\$356,000	\$393,000	
Parking Study	-	-	\$227,830	\$2,000		-	-	-	-	
Existing Facilities/Services Revenue	\$2,783,477	\$2,918,440	\$2,632,240	\$2,685,000		\$2,785,000	\$2,977,000	\$3,535,000	\$4,602,000	
Garages	\$2,001,656	\$2,227,300	\$2,088,436	\$2,227,000		\$2,327,000	\$2,479,000	\$2,987,000	\$3,994,000	
Surface Lots	\$410,648	\$389,032	\$288,807	\$206,000		\$206,000	\$246,000	\$295,000	\$354,000	
Fines and Citations	\$367,669	\$300,305	\$253,705	\$250,000		\$250,000	\$250,000	\$250,000	\$250,000	
Investment and Rental Income	\$3,504	\$1,803	\$1,292	\$2,000		\$2,000	\$2,000	\$3,000	\$3,000	
Existing Facilities/Services Net Surplus/Deficit	\$(2,325,318)	\$(1,184,577)	\$(2,303,115)	\$(2,041,000)		\$(1,813,000)	\$(2,723,000)	\$(1,983,000)	\$(289,000)	
Paid On-Street Parking	-	-	-	-		\$40,000	\$368,000	\$514,000	\$935,000	
Projected Expense	-	-	-	-		\$338,000	\$388,000	\$394,000	\$153,000	
Projected Revenue	-	-	-	-		\$378,000	\$756,000	\$907,000	\$1,089,000	

FINANCIAL ANALYSIS

Table 11.17 – Summary of Financial Analysis (continued)

	Historical			Budget		Projections				
	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2017/2018	2022/2023		
Potential Future Garage	-	-	-	-	-	-	\$(531,000)	\$(454,000)		
Projected Expense	-	-	-	-	-	-	\$1,032,000	\$1,056,000		
Projected Revenue	-	-	-	-	-	-	\$501,000	\$601,000		
Grand Total System Property Tax Subsidy	\$(2,325,318)	\$(1,184,577)	\$(2,303,115)	\$(2,041,000)	\$(1,774,000)	\$(2,355,000)	\$(2,000,000)	\$192,000		